

**Introduced by Senator Hill**  
**(Principal coauthor: Senator Beall)**

(Principal coauthors: Assembly Members Garcia and Levine)

January 6, 2014

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An act to amend Sections 82015, 89506, and 89515 of, and to add Sections 87106, 89512.7, and 89515.5 to, the Government Code, relating to the Political Reform Act of 1974.

LEGISLATIVE COUNSEL'S DIGEST

SB 831, as introduced, Hill. Political Reform Act of 1974.

(1) The Political Reform Act of 1974 provides for the comprehensive regulation of campaign financing and related matters, including the reporting of campaign contributions, as defined. Under existing law, a payment made at the behest of a candidate for elective office is considered a contribution unless the payment is made for purposes unrelated to the candidate's candidacy, and a payment is presumed to be unrelated to a candidate's candidacy if it is made principally for legislative, governmental, or charitable purposes. Pursuant to the act, payments principally for legislative, governmental, or charitable purposes made at the behest of a candidate who is an elected officer must be reported within 30 days following the date on which the payment or payments equal or exceed \$5,000 in the aggregate from the same source in the same calendar year in which they are made.

This bill would reduce the reporting threshold for a behested payment to \$2,500. The bill would also require the Fair Political Practices Commission to post certain behested payment reports on its Internet Web site within 30 days of receipt of the report. The bill would prohibit an elected officer from requesting that a payment be made, or a person from making a payment, at the behest of the elected officer to a business

entity or nonprofit organization owned or controlled by specified persons, as specified, including that officer, any other elected officer who serves on the same elective body as the behesting officer and family members, as defined, of elective officers serving on that elective body.

(2) The act prohibits specified officers from receiving gifts, as defined, in excess of \$440 in value from a single source in a calendar year. The act exempts gift payments for the actual costs of specified types of travel that are reasonably related to a legislative or governmental purpose, or to an issue of state, national, or international public policy from the annual limit on the value of gifts from a single source.

This bill would impose an annual limit on gift payments from a single source for these types of travel at \$5,000.

(3) The act requires that contributions deposited into a campaign account be held in trust for expenses associated with the election of the candidate or for expenses associated with holding office. The act provides that an expenditure to seek office is within the lawful execution of this trust if it is reasonably related to a political purpose and an expenditure associated with holding office is within the lawful execution of this trust if it is reasonably related to a legislative or governmental purpose. Expenditures which confer a substantial personal benefit must be directly related to a political, legislative, or governmental purpose. The act authorizes the use of campaign funds to make donations or loans to bona fide charitable, educational, civic, religious, or similar tax-exempt nonprofit organizations. The act imposes additional limitations on certain expenditures, including those relating to automotive expenses, travel expenses, tickets for entertainment or sporting events, personal gifts, and real property expenses.

The bill would prohibit an elected officer or a committee controlled by the elected officer from making an expenditure of campaign funds to a business entity or nonprofit organization owned or controlled by the officer, any other elected officer who serves on the same elective body, or family members, as defined, of elective officers serving on that elective body, as specified.

This bill would also limit the expenditure of campaign funds for other purposes, including country club memberships, household food items, tuition payments, and payments to a health club or recreational facility.

(4) A violation of the act's provisions is punishable as a misdemeanor. By expanding the scope of an existing crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

(5) The Political Reform Act of 1974, an initiative measure, provides that the Legislature may amend the act to further the act's purposes upon a  $\frac{2}{3}$  vote of each house and compliance with specified procedural requirements.

This bill would declare that it furthers the purposes of the act.

Vote:  $\frac{2}{3}$ . Appropriation: no. Fiscal committee: yes.

State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 82015 of the Government Code is  
2 amended to read:  
3 82015. (a) "Contribution" means a payment, a forgiveness of  
4 a loan, a payment of a loan by a third party, or an enforceable  
5 promise to make a payment except to the extent that full and  
6 adequate consideration is received, unless it is clear from the  
7 surrounding circumstances that it is not made for political purposes.  
8 (b) (1) A payment made at the behest of a committee as defined  
9 in subdivision (a) of Section 82013 is a contribution to the  
10 committee unless full and adequate consideration is received from  
11 the committee for making the payment.  
12 (2) A payment made at the behest of a candidate is a contribution  
13 to the candidate unless the criteria in either subparagraph (A) or  
14 (B) are satisfied:  
15 (A) Full and adequate consideration is received from the  
16 candidate.  
17 (B) It is clear from the surrounding circumstances that the  
18 payment was made for purposes unrelated to his or her candidacy  
19 for elective office. The following types of payments are presumed  
20 to be for purposes unrelated to a candidate's candidacy for elective  
21 office:  
22 (i) A payment made principally for personal purposes, in which  
23 case it may be considered a gift under the provisions of Section  
24 82028. Payments that are otherwise subject to the limits of Section  
25 86203 are presumed to be principally for personal purposes.

1 (ii) A payment made by a state, local, or federal governmental  
2 agency or by a nonprofit organization that is exempt from taxation  
3 under Section 501(c)(3) of the Internal Revenue Code.

4 (iii) A payment not covered by clause (i), made principally for  
5 legislative, governmental, or charitable purposes, in which case it  
6 is neither a gift nor a contribution. However, payments of this type  
7 that are made at the behest of a candidate who is an elected officer  
8 shall be reported within 30 days following the date on which the  
9 payment or payments equal or exceed ~~five thousand dollars~~  
10 ~~(\$5,000)~~ *two thousand five hundred dollars (\$2,500)* in the  
11 aggregate from the same source in the same calendar year in which  
12 they are made. The report shall be filed by the elected officer with  
13 the elected officer's agency and shall be a public record subject  
14 to inspection and copying pursuant to subdivision (a) of Section  
15 81008. The report shall contain the following information: name  
16 of payor, address of payor, amount of the payment, date or dates  
17 the payment or payments were made, the name and address of the  
18 payee, a brief description of the goods or services provided or  
19 purchased, if any, and a description of the specific purpose or event  
20 for which the payment or payments were made. Once the  
21 ~~five-thousand-dollar (\$5,000)~~ *two thousand five hundred dollar*  
22 *(\$2,500)* aggregate threshold from a single source has been reached  
23 for a calendar year, all payments for the calendar year made by  
24 that source must be disclosed within 30 days after the date the  
25 threshold was reached or the payment was made, whichever occurs  
26 later. Within 30 days after receipt of the report, state agencies shall  
27 forward a copy of these reports to the ~~Fair Political Practices~~  
28 Commission, and local agencies shall forward a copy of these  
29 reports to the officer with whom elected officers of that agency  
30 file their campaign statements. *Reports filed with the Commission*  
31 *pursuant to this clause shall be posted on the Commission's*  
32 *Internet Web site not later than 30 days after receipt by the*  
33 *Commission.*

34 (C) For purposes of subparagraph (B), a payment is made for  
35 purposes related to a candidate's candidacy for elective office if  
36 all or a portion of the payment is used for election-related activities.  
37 For purposes of this subparagraph, "election-related activities"  
38 shall include, but are not limited to, the following:

1 (i) Communications that contain express advocacy of the  
2 nomination or election of the candidate or the defeat of his or her  
3 opponent.

4 (ii) Communications that contain reference to the candidate's  
5 candidacy for elective office, the candidate's election campaign,  
6 or the candidate's or his or her opponent's qualifications for  
7 elective office.

8 (iii) Solicitation of contributions to the candidate or to third  
9 persons for use in support of the candidate or in opposition to his  
10 or her opponent.

11 (iv) Arranging, coordinating, developing, writing, distributing,  
12 preparing, or planning of any communication or activity described  
13 in clause (i), (ii), or (iii).

14 (v) Recruiting or coordinating campaign activities of campaign  
15 volunteers on behalf of the candidate.

16 (vi) Preparing campaign budgets.

17 (vii) Preparing campaign finance disclosure statements.

18 (viii) Communications directed to voters or potential voters as  
19 part of activities encouraging or assisting persons to vote if the  
20 communication contains express advocacy of the nomination or  
21 election of the candidate or the defeat of his or her opponent.

22 (D) A contribution made at the behest of a candidate for a  
23 different candidate or to a committee not controlled by the  
24 behesting candidate is not a contribution to the behesting candidate.

25 (3) A payment made at the behest of a member of the Public  
26 Utilities Commission, made principally for legislative,  
27 governmental, or charitable purposes, is not a contribution.  
28 However, payments of this type shall be reported within 30 days  
29 following the date on which the payment or payments equal or  
30 exceed ~~five thousand dollars (\$5,000)~~ *two thousand five hundred*  
31 *dollars (\$2,500)* in the aggregate from the same source in the same  
32 calendar year in which they are made. The report shall be filed by  
33 the member with the Public Utilities Commission and shall be a  
34 public record subject to inspection and copying pursuant to  
35 subdivision (a) of Section 81008. The report shall contain the  
36 following information: name of payor, address of payor, amount  
37 of the payment, date or dates the payment or payments were made,  
38 the name and address of the payee, a brief description of the goods  
39 or services provided or purchased, if any, and a description of the  
40 specific purpose or event for which the payment or payments were

1 made. Once the ~~five-thousand-dollar (\$5,000)~~ *two thousand five*  
2 *hundred dollar (\$2,500)* aggregate threshold from a single source  
3 has been reached for a calendar year, all payments for the calendar  
4 year made by that source must be disclosed within 30 days after  
5 the date the threshold was reached or the payment was made,  
6 whichever occurs later. Within 30 days after receipt of the report,  
7 the Public Utilities Commission shall forward a copy of these  
8 reports to the Fair Political Practices Commission. *Reports filed*  
9 *with the Fair Political Practices Commission pursuant to this*  
10 *subparagraph shall be posted on the Commission's Internet Web*  
11 *site not later than 30 days after receipt by the Commission.*

12 (4) *For purposes of this subdivision and subdivision (h), "made*  
13 *at the behest of" means made under the control or at the direction*  
14 *of; in cooperation, consultation, coordination, or concert with; at*  
15 *the request or suggestion of; or with the express, prior consent of.*

16 (c) "Contribution" includes the purchase of tickets for events  
17 such as dinners, luncheons, rallies, and similar fundraising events;  
18 the candidate's own money or property used on behalf of his or  
19 her candidacy other than personal funds of the candidate used to  
20 pay either a filing fee for a declaration of candidacy or a candidate  
21 statement prepared pursuant to Section 13307 of the Elections  
22 Code; the granting of discounts or rebates not extended to the  
23 public generally or the granting of discounts or rebates by television  
24 and radio stations and newspapers not extended on an equal basis  
25 to all candidates for the same office; the payment of compensation  
26 by any person for the personal services or expenses of any other  
27 person if the services are rendered or expenses incurred on behalf  
28 of a candidate or committee without payment of full and adequate  
29 consideration.

30 (d) "Contribution" further includes any transfer of anything of  
31 value received by a committee from another committee, unless  
32 full and adequate consideration is received.

33 (e) "Contribution" does not include amounts received pursuant  
34 to an enforceable promise to the extent those amounts have been  
35 previously reported as a contribution. However, the fact that those  
36 amounts have been received shall be indicated in the appropriate  
37 campaign statement.

38 (f) "Contribution" does not include a payment made by an  
39 occupant of a home or office for costs related to any meeting or  
40 fundraising event held in the occupant's home or office if the costs

1 for the meeting or fundraising event are five hundred dollars (\$500)  
2 or less.

3 (g) Notwithstanding the foregoing definition of “contribution,”  
4 the term does not include volunteer personal services or payments  
5 made by any individual for his or her own travel expenses if the  
6 payments are made voluntarily without any understanding or  
7 agreement that they shall be, directly or indirectly, repaid to him  
8 or her.

9 (h) “Contribution” further includes the payment of public  
10 moneys by a state or local governmental agency for a  
11 communication to the public that satisfies both of the following:

12 (1) The communication expressly advocates the election or  
13 defeat of a clearly identified candidate or the qualification, passage,  
14 or defeat of a clearly identified measure, or, taken as a whole and  
15 in context, unambiguously urges a particular result in an election.

16 (2) The communication is made at the behest of the affected  
17 candidate or committee.

18 SEC. 2. Section 87106 is added to the Government Code, to  
19 read:

20 87106. (a) An elected officer shall not request that a payment  
21 be made, and a person shall not make a payment, at the behest of  
22 the elected officer, as described in Section 82015, to a business  
23 entity or nonprofit organization that is owned or controlled by that  
24 officer, any other elected officer who serves on the same elective  
25 body, or a family member of any elective officer who serves on  
26 that elective body.

27 (b) For purposes of this section, as applied to a Member of the  
28 Legislature, “same elective body” includes both houses of the  
29 Legislature.

30 (c) For purposes of this section, a business entity or nonprofit  
31 organization is owned or controlled by an elective officer or family  
32 member of an elected officer if either of the following conditions  
33 is satisfied:

34 (1) The elective officer or family member of the elective officer,  
35 or a member of that person’s immediate family, has a direct or  
36 indirect interest worth two thousand dollars (\$2,000) or more in  
37 the business entity or nonprofit organization.

38 (2) The elective officer or family member of the elective officer,  
39 or a member of that person’s immediate family, is a director,

1 officer, partner, or trustee of, or holds any position of management  
2 with, the business entity or nonprofit organization.

3 (d) For purposes of this section, “family member of an elected  
4 officer” means the spouse, child, sibling, or parent of an elected  
5 officer.

6 SEC. 3. Section 89506 of the Government Code is amended  
7 to read:

8 89506. (a) Payments, advances, or reimbursements, for travel,  
9 including actual transportation and related lodging and subsistence  
10 that is reasonably related to a legislative or governmental purpose,  
11 or to an issue of state, national, or international public policy, *shall*  
12 *not exceed five thousand dollars (\$5,000) in a calendar year from*  
13 *a single source, but* are otherwise not prohibited or limited by this  
14 chapter if either of the following apply:

15 (1) The travel is in connection with a speech given by the elected  
16 state officer, local elected officeholder, candidate for elected state  
17 office or local elected office, an individual specified in Section  
18 87200, member of a state board or commission, or designated  
19 employee of a state or local government agency, the lodging and  
20 subsistence expenses are limited to the day immediately preceding,  
21 the day of, and the day immediately following the speech, and the  
22 travel is within the United States.

23 (2) The travel is provided by a government, a governmental  
24 agency, a foreign government, a governmental authority, a bona  
25 fide public or private educational institution, as defined in Section  
26 203 of the Revenue and Taxation Code, a nonprofit organization  
27 that is exempt from taxation under Section 501(c)(3) of the Internal  
28 Revenue Code, or by a person domiciled outside the United States  
29 which substantially satisfies the requirements for tax-exempt status  
30 under Section 501(c)(3) of the Internal Revenue Code.

31 (b) Gifts of travel not described in subdivision (a) are subject  
32 to the limits in Section 89503.

33 (c) Subdivision (a) applies only to travel that is reported on the  
34 recipient’s statement of economic interests.

35 (d) For purposes of this section, a gift of travel does not include  
36 any of the following:

37 (1) Travel that is paid for from campaign funds, as permitted  
38 by Article 4 (commencing with Section 89510), or that is a  
39 contribution.



1 (2) Travel that is provided by the agency of a local elected  
2 officeholder, an elected state officer, member of a state board or  
3 commission, an individual specified in Section 87200, or a  
4 designated employee.

5 (3) Travel that is reasonably necessary in connection with a  
6 bona fide business, trade, or profession and that satisfies the criteria  
7 for federal income tax deduction for business expenses in Sections  
8 162 and 274 of the Internal Revenue Code, unless the sole or  
9 predominant activity of the business, trade, or profession is making  
10 speeches.

11 (4) Travel that is excluded from the definition of a gift by any  
12 other provision of this title.

13 (e) This section does not apply to payments, advances, or  
14 reimbursements for travel and related lodging and subsistence  
15 permitted or limited by Section 170.9 of the Code of Civil  
16 Procedure.

17 SEC. 4. Section 89512.7 is added to the Government Code, to  
18 read:

19 89512.7. Except as expressly authorized by this article,  
20 expenditures for the following are prohibited as inconsistent with  
21 the trust imposed by Section 89510:

- 22 (a) A home mortgage, rent, or utility payment.
- 23 (b) A clothing purchase.
- 24 (c) A noncampaign-related automobile expense.
- 25 (d) A country club membership.
- 26 (e) A vacation or other noncampaign-related travel payment.
- 27 (f) A household food item.
- 28 (g) A tuition payment.
- 29 (h) Admission to a sporting event, concert, theater, or other  
30 form of entertainment not related to an election campaign.
- 31 (i) The dues, fees, and other payments to a health club or  
32 recreational facility.
- 33 (j) A gift to a spouse, child, sibling, or parent of a candidate,  
34 elected officer, or other individual with authority to approve the  
35 expenditure of campaign funds held by a committee.

36 SEC. 5. Section 89515 of the Government Code is amended  
37 to read:

38 89515. Campaign funds may be used to make donations or  
39 loans to bona fide charitable, educational, civic, religious, or similar  
40 tax-exempt, nonprofit organizations, where no substantial part of

1 the proceeds will have a material financial effect on the candidate,  
2 ~~elected officer~~, campaign treasurer, or any individual or individuals  
3 with authority to approve the expenditure of campaign funds held  
4 by a committee, or member of his or her immediate family, and  
5 where the donation or loan bears a reasonable relation to a political,  
6 legislative, or governmental purpose, *except as prohibited by*  
7 *Section 89515.5.*

8 SEC. 6. Section 89515.5 is added to the Government Code, to  
9 read:

10 89515.5. (a) An expenditure of campaign funds by an elected  
11 officer or committee controlled by the elective officer to a business  
12 entity or nonprofit organization that is owned or controlled by the  
13 elective officer, any other elected officer who serves on the same  
14 elective body, or a family member of any elective officer who  
15 serves on that body is deemed to serve the primary purpose of  
16 conferring a personal financial benefit on the recipient and is  
17 prohibited as being unrelated to a political, legislative, or  
18 governmental purpose and inconsistent with the trust imposed by  
19 Section 89510.

20 (b) For purposes of this section, as applied to a Member of the  
21 Legislature, “same elective body” includes both houses of the  
22 Legislature.

23 (c) For purposes of this section, a business entity or nonprofit  
24 organization is owned or controlled by an elective officer or family  
25 member of an elected officer if either of the following conditions  
26 is satisfied:

27 (1) The elective officer or family member of the elective officer,  
28 or a member of that person’s immediate family has a direct or  
29 indirect interest worth two thousand dollars (\$2,000) or more in  
30 the business entity or nonprofit organization.

31 (2) The elective officer or family member of the elective officer,  
32 or a member of that person’s immediate family is a director, officer,  
33 partner, or trustee of, or holds any position of management with,  
34 the business entity or nonprofit organization.

35 (d) For purposes of this section, “family member of an elected  
36 officer” means the spouse, child, sibling, or parent of an elected  
37 officer.

38 SEC. 7. No reimbursement is required by this act pursuant to  
39 Section 6 of Article XIII B of the California Constitution because  
40 the only costs that may be incurred by a local agency or school

1 district will be incurred because this act creates a new crime or  
2 infraction, eliminates a crime or infraction, or changes the penalty  
3 for a crime or infraction, within the meaning of Section 17556 of  
4 the Government Code, or changes the definition of a crime within  
5 the meaning of Section 6 of Article XIII B of the California  
6 Constitution.

7 SEC. 8. The Legislature finds and declares that this bill furthers  
8 the purposes of the Political Reform Act of 1974 within the  
9 meaning of subdivision (a) of Section 81012 of the Government  
10 Code.

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